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**TRIBAL COUNCIL IDENTIFIES CIGARETTE TAX REVENUE AS KEY
TO ECONOMIC DEVELOPMENT INITIATIVES; ANNOUNCES THAT IT
WILL SUNSET EXISTING ARRANGEMENT WITH PRIVATE
RETAILERS**

The Red Cliff Tribal Council has announced that it will not renew existing agreements with private cigarette retailers on the reservation that remits to them nearly all revenue from its tax agreement with the State of Wisconsin. It has proposed a two year transitional agreement and announced plans to become the sole retail seller of cigarettes on the reservation as part of economic development initiatives that include development of a convenience store.

Following a tribal referendum on the subject, in 1988 the Tribe entered into a cigarette tax agreement with the state of Wisconsin that addressed the subject of the collection of state sales tax for the sale of cigarettes on-reservation to nonmembers. Since cigarette taxes are “precollected” from the distributor prior to sale to retailers for sale to the public, the agreement provided a mechanism through which to address the fact that such taxes should not be imposed upon tribal members, who are exempt from state sales taxes for purchases made on their reservation. Under the terms of the agreement, taxes from sales to nonmembers are collected and then rebated to the Tribe upon the basis of receipts provided by the retailers. In this regard, Red Cliff’s situation is somewhat unique, since most Tribes are the retailers themselves with respect to all cigarette sales.

At the time the agreements were signed, the Tribe made an informal arrangement with private cigarette retailers. Under that arrangement, the Tribe agreed to refund the entirety of the cigarette tax rebate checks it received to the private retailers (the Tribe later receives a small payment from the state based upon reservation tribal membership population estimates). This informal arrangement with the private retailers was formalized beginning in 2006 and continued under successor agreements through 2011. Since the agreements expired, the Tribal Council has met with the private retailers in an effort to negotiate further agreements that would be acceptable to the retailers, but at the same time address the Tribe’s increasing need to shore up

available streams of discretionary revenue to provide for the needs of the membership and address the tribal deficit. Those efforts have been unsuccessful.

Most recently, the Tribe has proposed an arrangement with the retailers that would split cigarette rebate tax revenue with private retailers on a 50/50 basis for a period of two years as the Tribe transitions into becoming the sole cigarette retailer on the reservation in connection with its attempts to develop a convenience store operation. Such an agreement would allow for a transition and would ease the impact upon private retailers, while recognizing the inequity in the present arrangement which permits private retailers to retain the lion's share of the rebate provided to the Tribe. In the Tribe's view, anything short of an equal split of cigarette tax revenue is simply unfair since the retailers are unable to obtain the rebate themselves and the receipts currently provided by retailers form the basis for most of the rebate.

Recently there has been a good deal of misinformation about this subject within the community. It is important that the tribal membership understand that the Tribal Council is acting in the best interests of the membership and has attempted to work with the retailers, but to no avail. Cigarette tax revenues are an important source of economic development revenue across Indian Country in Wisconsin. For instance, in 2012 cigarette tax revenue rebated to tribal retailers totaled over a half million dollars. Although we are one of the last Tribes to take action to shore up this important source of tribal revenue, failure to act will prevent the Tribe from progress on important tribal initiatives. Accordingly, we have informed retailers that if they do not accept the Tribe's latest proposal we will amend tribal law to establish the tribal government as the sole retailer of cigarettes on the reservation and allow us to proceed with important economic development initiatives that benefit the entire membership.